

EXHIBIT A

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**Report to Congress Regarding Palestinian Payments for Acts of Terrorism
Sections 1004(e)(1) and 1006 of the Taylor Force Act (Title X, Div. S,
P.L. 115-141) and Section 7041(k)(3) of the Department of State, Foreign
Operations, and Related Programs Appropriations Act, 2020 (Div. G,
P.L. 116-94) (FY 2020 SFOAA)**

Consistent with sections 1004(e)(1) and 1006 of the Taylor Force Act (Title X, Div. S, P.L. 115-141) (TFA), and section 7041(k)(3) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (Div. G, P.L. 116-94) (FY 2020 SFOAA), this report addresses several issues relating to payments for acts of terrorism made by the Palestinian Authority (PA), the Palestine Liberation Organization (PLO), or any successor or affiliated organizations.

Section 1004(e)(1) of the TFA

Section 1004(e)(1) of the TFA provides that in the event the Secretary is unable to make the certification in section 1004(a) the Secretary is required to submit a report to Congress describing: (1) the reasons why he was unable to certify that the PA, the PLO, and any successor or affiliated organizations have met the requirements in section 1004(a)(1); (2) the definition of “acts of terrorism” used to make this assessment; and (3) the total amount of funds to be withheld.

The Department was unable to certify that the PA, the PLO, and any successor or affiliated organizations have met the requirements described in section 1004(a) of the TFA because the PA has not terminated payments for acts of terrorism to any individual, after being fairly tried, who has been imprisoned for such acts of terrorism and to any individual who died committing such acts of terrorism, including to a family member of such individuals.

In addition, the PA has not revoked any law, decree, regulation, or document authorizing or implementing the system of compensation for imprisoned individuals that uses the sentence or period of incarceration of an individuals

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imprisoned for an act of terrorism to determine the level of compensation paid, or have taken comparable action that has the effect of invalidating any such law, decree, regulation, or document.

The PA has also not taken proactive steps to counter incitement to violence against Israel significant enough to warrant any certification to the contrary. PA President Mahmoud Abbas has been both praised and criticized within Palestinian society for his reputation for promoting non-violence, but he and other PA officials have made inconsistent and contradictory statements regarding their support for peace and coexistence. For instance, President Abbas addressed the UN Security Council February 11, 2020, saying “Let me also state once again that we will not resort to violence or terrorism, despite the aggression against us. We are believers in peace and in fighting violence, and we are ready to cooperate with any country to fight terrorism. We are against terrorism and violence, by whomever, and we will resort to peaceful popular resistance.” In contrast, President Abbas pledged in a November 10, 2020, televised address “to remain loyal to the souls of martyrs, the blood of injured, and the sufferings of prisoners,” saying “we will not abandon them, whatever the sacrifices.” In certain cases, the PA has removed content inciting violence online and in broadcast media, but incitement to violence and glorification of terrorism occur in public statements and social media posts by PA officials and politicians, in official media broadcasts and social media outlets, and in school textbooks.

Acts of Terrorism

In considering what constitute “acts of terrorism,” the Department reviewed the individual cases of which we are aware that are relevant to the criteria specified in the TFA. Specific factors considered include the length of the sentence of imprisoned Palestinians receiving benefits and the circumstances of the deaths of individuals whose families receive benefits.

Total Amount of Funds to be Withheld

As reported to Congress in September 2020, no FY 2018 or FY 2019 Economic Support Funds (ESF) were withheld under section 1004 of the TFA because no ESF funds were provided that were subject to the withholding requirement.

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Section 1006 of the TFA

Section 1006 of the TFA requires that the Secretary submit a report providing: (a) an estimate of the amount expended by the PA, PLO, and any successor or affiliated organization during the previous calendar year as payments for acts of terrorism by individuals who are imprisoned for such acts; (b) an estimate of the amount expended by the PA, PLO, and any successor or affiliated organization during the previous calendar year as payments to the families of deceased individuals who committed an act of terrorism; (c) an overview of Palestinian laws, decrees, regulations, or documents in effect the previous calendar year that authorize or implement any such payments; (d) a description of U.S. government policy, efforts, and engagement with the PA in order to confirm the revocation of any law, decree, regulation, or document in effect the previous calendar year that authorizes or implements any such payments; and (e) a description of U.S. government policy, efforts, and engagement with other governments, and at the United Nations, to highlight the issue of Palestinian payments for acts of terrorism and to urge other nations to join the United States in calling on the PA to immediately cease such payments.

Estimate of the Amount Expended by the PA, PLO, and any Successor or Affiliated Organization During Calendar Year 2019 as Payments for Acts of Terrorism by Individuals Who Are Imprisoned for Such Acts

The PA did not publish a budget for 2019, but according to financial statements, the PA expressed its intention to expend approximately \$151.6 million in payments to convicted prisoners, administrative detainees, and former prisoners, as well as required payments to Israeli service providers for canteen services for Palestinian prisoners. PA officials claim that the majority of recipients of these funds were not involved in committing acts of terrorism, but due to the lack of information about individual recipients we are unable to verify these claims. The specific amount of these funds that was provided in relation to individuals who committed acts of terrorism remains uncertain.

Estimate of the Amount Expended by the PA, PLO, and any Successor or Affiliated Organization During Calendar Year 2019 as Payments to the Families of Deceased Individuals Who Committed an Act of Terrorism

The PA did not publish a budget for 2019, but according to financial statements, the PA expressed its intention to expend approximately \$191 million in support of

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families of deceased Palestinians referred to as “martyrs” by the PA. PA officials claim that the majority of recipients of these funds were not involved in committing acts of terrorism, but due to the lack of information about individual recipients we are unable to verify these claims. The specific amount of these funds that was provided in relation to individuals who committed acts of terrorism remains uncertain.

Palestinian Laws, Decrees, Regulations, and Documents Authorizing Payments

The PA passed two laws in 2004 (No. 14 and No. 19) that regulate payments to “security prisoner[s].” According to Law No. 14, the PA has a duty to support these prisoners while they are incarcerated in Israeli jails by paying them the equivalent of their most recent monthly salaries prior to imprisonment. The law also provides for paying a monthly stipend to Palestinian prisoners who were unemployed at the time of their arrest. Under the provisions of Law No. 19, the PA shall provide former “security prisoners” with educational and other benefits to facilitate their economic reintegration into Palestinian society. There are currently no laws that obligate the PA to compensate surviving families of “martyrs.” The PLO, however, with the support of the PA, provides financial assistance to these families.

Summary of U.S. Efforts to Confirm the Revocation of Any Laws, Decrees, Regulations, and Documents Authorizing Payments

White House and Department of State officials publically and routinely call for PA leadership to amend or repeal current laws and practices that provide for compensating terrorism perpetrators and their survivors.

Summary of U.S. Efforts to Engage Other Governments to Highlight the Issue of Palestinian Payments and Urge Other Nations to Join the United States in Calling for an End to Such Payments

During the reporting period, White House and Department of State officials repeatedly encouraged foreign government officials and representatives of international organizations that routinely provide donor support and technical assistance to the PA to use their leverage to influence the PA into reforming these laws and practices; interlocutors included government officials from the UK, the European Union, the Netherlands, Germany, Switzerland, Ireland, France, Canada, Norway, Japan, and South Korea, as well as representatives from the World Bank and the International Monetary Fund. On November 20, 2019, the Netherlands

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announced it would cease paying \$1.6 million in direct budget support to the PA for Ministry of Justice salaries in 2020 because of the link between payment amounts to the duration of detention in the PA payment system to families of prisoners. Recognizing sensitivities concerning controversial content in Palestinian schools, some European countries have explicitly limited funding to only support school infrastructure and administration, noting they neither fund textbooks nor curriculum development. This distinction is drawn in an attempt to avoid the appearance of supporting controversial content or impinging upon the PA's authority. Other European countries' efforts have been more direct: Norway's Parliament voted to withhold 50 percent of its 2020 contributions to the PA because of textbook content of a controversial nature, including the feature of anti-Semitic material. Norwegian officials have repeatedly raised the issue with PA officials, including PM Mohammed Shtayyeh. Norway may restore the funding if a forthcoming study by the EU-funded Georg Eckert Institute shows that the PA has made sufficient progress in eliminating content intended to incite violence.

In accordance with Israel's 2019 "Freezing of Funds Paid by the PA in Connection with Terrorism from Revenues Transferred by the Israeli Government" law (FFPA law), Israel withheld approximately \$12 million per month in PA tax revenues, from January to March 2020 as a response to the PA's continued payments to prisoners and "martyrs" families made in 2018. These deductions were paused pending approval of the 2019 withholding amounts by the Israeli Defense Cabinet, which did not occur until December 2020 due to the PA's refusal to accept clearance revenues from May to November in an effort to counter a threatened extension of Israeli sovereignty into the West Bank. As a result, Israel will continue to deduct for 2019 payments to prisoners and "martyrs" at a rate of approximately \$15.5 million per month into 2021. On February 9, 2020, the government of Israel amended the Order of Security Provisions in the West Bank 161 to incorporate articles 21 and 31 of Israel's 2016 anti-terrorism law. The amendments could make Palestinian banks that facilitate payments to prisoners and "martyrs" connected to terrorism subject to criminal prosecution. Israel Minister of Defense Benny Gantz approved four separate suspensions of the implementation of the amendments to allow time for Palestinian banks to remove themselves from the process. The orders went into effect on January 1, 2021.

Section 7041(k)(3) of the FY 2020 SFOAA

Section 7041(k)(3) of the FY 2020 SFOAA provides that the Secretary shall reduce the amount of FY 2020 ESF assistance made available for the PA by an

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amount the Secretary determines is equivalent to the amount expended by the PA, the PLO, and any successor or affiliated organizations with such entities as payments for acts of terrorism by individuals who are imprisoned after being fairly tried and convicted for acts of terrorism and by individuals who died committing acts of terrorism during the previous calendar year. Section 7041(k)(3) also requires that the Secretary report to the Committees on Appropriations on the amount reduced for FY 2020. The Department of State produced a classified report with additional information on the amount the PA is believed to have transferred to such individuals during calendar year 2019.

As of the submission of this report, no FY 2020 ESF was withheld under this provision. The Biden-Harris Administration has made clear its intent to restart assistance to the Palestinians in the West Bank and Gaza and looks forward to working with Congress. Plans for this assistance are being developed, and the resumption of assistance to the West Bank and Gaza, including any assistance for the PA using FY 2020 funds, will be fully consistent with applicable requirements under U.S. law.

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